

BDB Law

DU-BALADAD AND ASSOCIATES

ADVISORY

SERIES OF 2025

Tax Treatment of Local
Sales by IPA-Registered
Business Entities

BUREAU OF INTERNAL REVENUE
Revenue Regulations No. 09-2025
February 25, 2025

TAX TREATMENT OF LOCAL SALES
BY IPA-REGISTERED BUSINESS ENTITIES

I. Tax Treatment of Local Sales

- Local sales include sales of goods and/or services to domestic market enterprises and non-RBEs¹, regardless of location
- Subject to 12% VAT regardless of income tax regime of the seller, unless otherwise exempt or zero-rated
- Location of the transaction and the RBE are no longer the determining factor for the tax treatment

II. Invoicing, Filing, Payment, and Remittance

Buyer is engaged in Business / Business-to-Business (B2B)

Activity	Particulars
Invoicing by Seller	RBE-seller shall bill <u>inclusive</u> of VAT
Payment by Buyer	Payment of purchase price by the buyer to the seller shall be <u>exclusive</u> of VAT
Filing and Payment of VAT	<p>General Rule: Buyer is liable to file the return and pay/remit the corresponding VAT</p> <p>Specific Rules:</p> <ul style="list-style-type: none"><input checked="" type="checkbox"/> For purchase of goods from economic zones/freeport<ul style="list-style-type: none">✓ Filing and payment is on a <u>per transaction</u> basis✓ New BIR Form to be prescribed✓ In the meantime, BIR Form No. 0605 shall be used and will be transmitted to the RBE-seller as part of documentary requirements for release of goods<input checked="" type="checkbox"/> For purchase of services from economic zones/freeport<ul style="list-style-type: none">✓ Filing and payment is on a <u>monthly</u> basis✓ New BIR Form to be prescribed✓ In the meantime, BIR Form No. 1600-VT shall be used. The buyer shall also issue BIR Form No. 2307 on a quarterly basis or upon demand by the RBE-seller

¹ RBE stands for Registered Business Entities

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Activity	Particulars
Filing and Payment of VAT	<p>Specific Rules:</p> <ul style="list-style-type: none"> ☑ For purchase of goods and/or services from BOI-registered enterprises <ul style="list-style-type: none"> ✓ Filing and payment is on a <u>monthly</u> basis ✓ New BIR Form to be prescribed ✓ In the meantime, BIR Form No. 1600-VT shall be used. The buyer shall also issue BIR Form No. 2307 on a quarterly basis or upon demand by the RBE-seller
Compliance Requirements	<ul style="list-style-type: none"> ☑ Non-VAT RBEs² are not required to file quarterly VAT returns but are required to submit a quarterly summary list of local sales to the relevant BIR RDO ☑ VAT-registered RBEs³ are required to: (i) file quarterly VAT returns with the corresponding BIR Form No. 2307/0605; and (ii) submit summary list of sales and purchases ☑ RBE with mixed activities⁴ are required to file quarterly VAT returns with the corresponding BIR Form No. 2307/0605

Buyer/consumer is NOT engaged in Business / Business-to-Consumer (B2C)

Activity	Particulars
Invoicing by Seller	RBE-seller shall bill <u>inclusive</u> of VAT
Payment by Buyer	Payment of purchase price by the buyer to the seller shall be <u>inclusive</u> of VAT
Filing and Payment of VAT	<p>General Rule: RBE-seller is liable to file the return and pay/remit the corresponding VAT</p> <p>Specific Rules:</p> <ul style="list-style-type: none"> ☑ If registered activity of RBE-seller is under 5% GIE/SCIT <ul style="list-style-type: none"> ✓ New BIR Form to be prescribed ✓ In the meantime, BIR Form No. 0605 shall be used

² Those enjoying 5% on Gross Income Earned (GIE)/Special Corporate Income Tax (SCIT)

³ Those enjoying Income Tax Holiday (ITH), under Enhanced Deduction Regime (EDR), or Regular Corporate Income Tax (RCIT)

⁴ Those with two or more registered projects/activities under different income tax regimes

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Activity	Particulars
Filing and Payment of VAT	<p>Specific Rules:</p> <ul style="list-style-type: none"> <input checked="" type="checkbox"/> If registered activity of RBE-seller is under 5% GIE/SCIT <u>but with other registered activities/projects not under 5% GIE/SCIT</u> <ul style="list-style-type: none"> ✓ Required to be VAT-registered ✓ Local sales shall be reported as VATable sales in the quarterly VAT returns ✓ VAT paid in the first 2 months of each quarter shall be through BIR Form No. 0605 and shall be reflected as VAT credit in the quarterly VAT return <input checked="" type="checkbox"/> If registered activity of RBE-seller is under ITH/EDR or RCIT <ul style="list-style-type: none"> ✓ Required to be VAT-registered ✓ Local sales shall be reported as VATable sales in the quarterly VAT returns

III. Optional VAT Registration

Eligibility	Available if: <ul style="list-style-type: none"> <input checked="" type="checkbox"/> The RBE is under the 5% GIE/SCIT; and <input checked="" type="checkbox"/> All registered projects/activities fall under the same income tax regime
Effect on incentives	Will <u>not</u> affect the fiscal and non-fiscal incentives ⁵
Cancellation of Registration	No cancellation of registration for the next 3 years

IV. Claim of Input Tax by VAT-Registered Buyers

The following documents are required for the claim of input tax by local buyers of RBEs:

- Sales invoice showing amount of VAT on local sales; and
- BIR Form No. 1600VT or BIR Form No. 0605, whichever is applicable

Non-VAT registered buyers shall report the VAT as part of the cost/charged to expense.

⁵ Including VAT zero-rating on local purchases and VAT exemption on importation that are directly attributable to the RBE's registered project/activity

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V. Withholding of VAT on Government Money Payments

Rate of creditable withholding VAT shall be 12%

VI. Transitory Provisions

Scenario	Transitory Rules
RBEs with remaining manual invoices with the term "VAT/VAT Amount" in the breakdown of sales	<ul style="list-style-type: none">☑ May be stamped with "VAT on Local Sales" without need for BIR approval☑ May be used until fully consumed☑ Subsequent applications shall replace "VAT/VAT Amount" with "VAT on Local Sales"
VAT-exempt invoices with no "VAT/VAT Amount"	
Registered Cash Registered Machines/Point-of-Sales, Accounting Software, Computerized Books of Accounts, or other systems/software	<ul style="list-style-type: none">☑ Reconfigure the system to change "VAT/VAT Amount" to "VAT on Local Sales" or add the same term☑ Reconfiguration may be done until December 31, 2025☑ Subject to post-verification

VII. Effectivity

RR No. 9-2025 shall take effect 15 days after publication, or on March 14, 2025

Source:

Revenue Regulations No. 09-2025, February 25, 2025

Learn more:

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